

For Immediate Release

Contact: Erica Daughtrey

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Washington, D.C.— On September 29, 2010, Congressman Sires cosponsored legislation to protect American homeowners from harmful real estate practices by banning private transfer fees. H.R. 6260, the Homeowner Equity Protection Act of 2010, would amend the Real Estate Settlement Procedures Act to prohibit the collection of private transfer fees on all federally related mortgages. These so-called private transfer fees or resale fees require that every time the property is sold for the next 99 years, one percent of the sale price of property must be paid to an independent third party, usually a developer or builder. H.R. 6260 was introduced by Congresswoman Maxine Waters (D-CA) and is currently pending before the House Committee on Financial Services.

“These damaging and often hidden private transfer fees ruin home equity, depress home prices, and undermine homeowners’ right to sell their own homes,” said Congressman Sires. “I am proud to support this important bill that protects homeowners from these unscrupulous practices.”

Housing developers establish a covenant-- a legal agreement-- that requires the payment of a

fee of usually one percent of the sale price of the home by either recording a covenant in the local public record or including the covenant in the deed for each home. Typically, these covenants are in effect for 99 years. A homeowner with a private transfer fee covenant is required to pay this fee when they sell their home. Additionally, each subsequent purchaser of the home must also pay the fee when they resell the home. The fee must be paid whether or not the home has appreciated or is underwater.

Furthermore, homeowners often are not aware of these fees until they attempt to sell their homes. The resale fee covenants are usually hidden within complicated legal documents and presented to homeowners in the closing process when the homeowner lacks the ability to fully review or understand the covenant. Additionally, sometimes the document containing the covenant does not require the homeowner's signature.

"It is counterproductive to the health of our housing market that homeowners are required to pay these resale fees to third parties who themselves have no stake in the homes," said Congressman Sires. "We need to protect consumers from these corporate practices on a federal level."

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